

The National Agricultural
Law Center



University of Arkansas • Division of Agriculture

An Agricultural Law Research Project

Requirements for Grain Dealers

State of Louisiana

Bonding

www.NationalAgLawCenter.org



Requirements for Grain Dealers

STATE OF LOUISIANA

Current with legislation from the 2013 Reg.Sess.

LSA-R.S. 3:3410

§ 3410. Bond required as a condition of warehouse license, time of filing; amount of bond, minimum and maximum; approval; notice of cancellation; changes in licensed capacity; insurance; alternate security; failure to maintain bond and insurance in full force and effect

- A. Each applicant for a warehouse license shall, prior to issuance of the license, execute and file with the commission a surety bond, issued by a bonding or surety company authorized to do business in this state and conditioned upon (1) the faithful performance of all duties and obligations to the patrons of the warehouse, and (2) compliance with this Chapter and the rules and regulations adopted pursuant hereto.
- B. The bond shall cover the same facilities covered by the warehouse license.
- C. The amount of the bond shall be determined by the total licensed capacity of the facilities to be covered by the bond, as follows:
- (1) Twenty cents per bushel for the first million bushels of licensed capacity.
 - (2) Fifteen cents per bushel for the second million bushels of licensed capacity.
 - (3) Ten cents per bushel for all bushels over two million bushels of licensed capacity.
- D. In any case, the net amount of the bond shall not be less than twenty-five thousand dollars and not more than five hundred thousand dollars.
- E. Each bond shall be approved by the commission prior to the issuance of the warehouse license.
- F. Each bond shall provide for ninety days written notice to the commission prior to cancellation.
- G. Whenever the licensed warehouse capacity changes, the amount of the bond shall be amended to conform with the current licensed capacity of the facility or facilities covered by the bond.
- H. The commission may accept alternate security in lieu of the bond required under Subsection C of this Section. The alternate security shall be in the same amount as the amount of the bond required in Subsection C of this Section and shall be in one of the following forms:
- (1) A certificate of deposit from a lending institution whose deposits are insured by an agency of the federal government.
 - (2) An irrevocable letter of credit from a lending institution whose deposits are insured by an agency of the federal government.
 - (3) A first mortgage on immovable property which is located in Louisiana and which has an appraised value of at least one hundred fifty percent of the amount of the bond. The appraisal shall be made by an independent appraiser jointly designated by the commission and the applicant. The applicant shall provide a title insurance policy issued by a company authorized to do business in Louisiana in the amount of the required bond with the commission being an insured under the policy. The applicant shall pay all fees involved in providing such security.
- I. The commission shall require the licensed warehouse to maintain provisional stock insurance issued

by an insurance company authorized to do business in this state for protection against fire and other disasters in an amount proportionate to the licensed capacity of the facility, for the full market value of all commodities located in the licensed facility, which insurance shall provide for thirty days written notice to the commission prior to cancellation.

J. The commission may suspend or revoke the license of any warehouse which fails to maintain the required bond and insurance in full force and effect.

LSA-R.S. 3:3410.1
§ 3410.1. Self-insurance fund

A. The commission may operate a program of self-insurance for warehouses, grain dealers, and cotton merchants licensed under this Chapter.

B. The insurance shall be limited to the amount of the bonds required by R.S. 3:3410 , 3411, and 3411.1, and shall be accepted in lieu of those bonds.

C. The commission may charge fees for participation in the program established in this Section. The amount of the fees shall be fixed by rule adopted in accordance with the Administrative Procedure Act.

D. The fees charged under this Section shall be subject to the following provisions:

(1) All fees shall be deposited immediately upon receipt in the state treasury.

(2) After compliance with the requirements of Article VII, Section 9 of the Constitution of Louisiana relative to the Bond Security and Redemption Fund, and prior to monies being placed in the state general fund, an amount equal to that deposited as required by Paragraph (1) of this Subsection shall be credited to a special fund hereby created in the state treasury to be known as the Agricultural Commodity Commission Self-Insurance Fund. The monies in this fund shall be used solely as provided in Paragraph (3) of this Subsection and only in the amounts appropriated by the legislature. All unexpended and unencumbered monies in this fund at the end of each fiscal year shall remain in this fund. The monies in this fund shall be invested by the state treasurer in the same manner as monies in the state general fund, and interest earned on the investment of these monies shall be credited to this fund, again, following compliance with the requirement of Article VII, Section 9 relative to the Bond Security and Redemption Fund.

(3) The monies in the Agricultural Commodity Commission Self-Insurance Fund shall be used solely for the administration and operation of the program of self insurance provided for in this Section.

LSA-R.S. 3:3414.4
§ 3414.4. Prompt payment for cotton; suit on bond; private action; attorney fees

A. Any cotton merchant or cotton agent who purchases cotton from a producer shall pay the producer for the cotton within ten working days after the day the cotton is delivered, or pursuant to the contract of sale.

B. Any producer from whom cotton was purchased or contracted to be purchased and to whom money is due for cotton sold for future delivery as a result of the nonperformance of the cotton merchant or cotton agent shall have recourse on the bond or alternate security required to be furnished by this Chapter to the extent of the loss suffered by the producer, but such recovery against the bonding company or alternate security shall not exceed the amount of the bond or the alternate security.

Limitation of liability as to the bonding company or alternate security shall not restrict suits against the cotton merchant or cotton agent for losses incurred in excess of the amount of the bond or alternate security. Suit may be brought in any parish where the crop or any part thereof was grown or any other venue authorized by law. One or more recoveries upon such bond or alternate security shall not vitiate same, but no recovery nor the aggregate of multiple recoveries upon such bond or alternate security shall ever exceed the full amount thereof. Upon suits being filed in excess of the amount of the bond or alternate security, the commission may require a new bond or other security in an amount sufficient to secure the aggregate amount of such suits, and if such additional security is not given within thirty days of demand therefor, the commission may cancel the license of the cotton merchant. In the case of the insolvency of a cotton merchant, any cotton producer or cotton landowner having contracts for future delivery shall be entitled to participate in the bond or alternate security funds to the extent of his pro rata losses under his contract.

C. Should the bond or alternate security proceeds be insufficient to satisfy all claims in full, any producer who has received only partial satisfaction shall retain all other rights possessed under the law without prejudice.

D. The commission may bring an action on the bond on behalf of the cotton producers or cotton landowners in any court of competent jurisdiction.